

Message Text

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ORIGIN TRSY-04

INFO OCT-01 EUR-12 EA-07 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 IO-10 NEA-10 NSAE-00

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 OIC-02

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TX-387

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FM SECSTATE WASHDC

TO USMISSION OECD PARIS

INFO AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY BERN

AMEMBASSY STOCKHOLM

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY MADRID

AMEMBASSY ANKARA

AMEMBASSY WELLINGTON

AMEMBASSY OSLO

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E.O. 11652: N/A

TAGS: ENRG, EFIN, OECD

SUBJECT: IEA POSITION PAPER ON INDEXATION

REF: STATE 175861

1. AT SEPTEMBER 4 MEETING OF IEA AD HOC GROUP ON FINANCIAL AND INVESTMENT ISSUES (FII) IT WAS DECIDED THAT THE PROPOSED IEA POSITION PAPER ON INDEXATION OF OIL PRICES WOULD BE REVISED BY THE CHAIRMAN TO REFLECT COMMENTS BY THE MEMBERS OF THE GROUP ON THE FIRST DRAFT AND THEN WOULD BE PASSED TO THE OECD TEMPORARY WORKING PARTY ON THE ECONOMIC POLICY COMMITTEE (TWP) FOR REVIEW AND COMMENT AT THEIR UPCOMING SEPTEMBER 24, 25 MEETING. FII AT ITS NEXT MEETING ON OCTOBER 2 AND 3 WILL RECEIVE THE COMMENTS OF THE TWP AND HOPEFULLY WILL THEN FINALIZE THE PAPER.

2. KORP CARRIED A COPY OF FII CHAIRMAN PARSKY'S REVISED DRAFT OF THE POSITION PAPER TO PARIS. SEVERAL CHANGES IN THAT REVISED DRAFT WERE SUBSEQUENTLY PASSED TO KORP IN PHONE CALLS FROM WITHERELL.

3. PARA 15 IN COPY CARRIED BY KORP SHOULD BE REVISED TO REA

READ AS FOLLOWS: "INDEXATION DEALS WITH PRICE BUT IGNORES THE MORE CRITICAL ISSUE OF CONSUMERS' ECONOMIC AND POLITICAL VULNERABILITY TO OPEC PRESSURES. INDEXATION COULD CREATE A FALSE SENSE OF CONFIDENCE AS TO THE SECURITY OF FUTURE SUPPLIES AND UNDERMINE OUR COMMON EFFORTS TO RESTORE BALANCE IN THE WORLD OIL MARKET. SUCH AN ATTITUDE WOULD BE UNFORTUNATE, PARTICULARLY SINCE EVENTS OF RECENT YEARS RAISE QUESTIONS ABOUT HOW MUCH RELIANCE CAN BE PLACED ON PRODUCERS' COMMITMENTS TO LONG-TERM SUPPLIES AS PART OF AN INDEXATION SCHEME."

4. IN ADDITION, SECOND LINE OF PARA 18B SHOULD BE CHANGED
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TO READ "EXACERBATE RECESSION".

5. REQUEST US MISSION OECD PASS REVISED TEXT INCLUDING CHANGES INDICATED ABOVE TO OECD SECRETARIAT, NOTING AGREEMENT BY VAN YPERSELE, CHAIRMAN OF TWP, TO HAVE TWP REVIEW PAPER. ALSO PASS REVISED DRAFT TO IEA SECRETARIAT.

6. IT SHOULD BE EMPHASIZED THAT REVISED DRAFT SEEKS TO ACCOMMODATE OBJECTIVELY VIEWS OF FII DELEGATES AND HENCE SHOULD NOT BE CONSIDERED A USG POSITION PAPER. (FYI. US WOULD WISH TO MAINTAIN FLEXIBILITY TO DISAGREE WITH PARTS OF DRAFT IN FUTURE DELIBERATIONS. END FYI)

7. REQUEST REVISED DRAFT BE CLASSIFIED OECD/IEA CONFIDENTIAL BY RESPECTIVE SECRETARIATS. KISSINGER

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Message Attributes

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Disposition Approved on Date:
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Margaret P. Grafeld
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